

**Statement of the
American Institute of Marine Underwriters**

**Before the Committee on
Commerce, Science and Transportation
of the United States Senate**

on

Port and Maritime Security

July 24, 2001

My name is James M. Craig and I am Vice President of the American Institute of Marine Underwriters. AIMU is the national association of U.S. based insurance and reinsurance companies which insure vessels of all types, the cargoes they transport and the liabilities they face. Our membership also includes brokers, claims adjusters, surveyors and attorneys. I'm here to testify that cargo crime is a huge national problem which the private sector is trying very hard to make a dent in. Cargo insurers strongly support enactment of the Port and Maritime Security Act. We believe that our efforts to combat the problem of cargo theft can be greatly assisted by applying more and better coordinated federal resources, as the proposed legislation would do. The views expressed in my statement are also shared by the Inland Marine Underwriters Association. IMUA members insure cargoes transported domestically, while AIMU members cover cargoes moving by sea or transported internationally by any mode. Both AIMU and IMUA are members of the National Cargo Security Council, which has labored for many years on this issue.

Cargo theft represents a costly drain on our economy, beginning with the impact on the victimized companies and spreading to their employees who may become unemployed when bankruptcy results, or, even worse, can be killed in a violent robbery. Then there is the cost to the consumer. An independent study conducted by one of our member companies estimated that theft of high-tech cargo adds \$150 to the cost of an average computer. And all of this is just part of an even bigger picture. We are told by the FBI that stolen computer components are often accepted in place of cash in drug deals. The same criminals involved in cargo theft have been linked to money laundering, counterfeiting, illegal gambling, illegal immigration, smuggling, all kinds of business frauds, narcotics and weapons violations. Resources applied to preventing cargo crime will have a ripple effect in helping to combat terrorism and other national security concerns – and *vice versa*.

Several key features of the legislation are important to the insurance companies their customers, which include virtually all of corporate America. These provisions would improve the collection of data to document the problem of cargo theft, increase criminal penalties for cargo thieves, and provide training in maritime security to law enforcement professionals. We discussed these same matters with the Interagency Commission on Crime and Security in U.S. Seaports, which addressed them in their final report. Your legislation incorporates most of what we recommended to the Commission, and our list of key provisions also comprises most of the priorities on the agenda of the National Cargo Security Council. We appreciate the work of all who have brought us to this point and thank you for the opportunity to testify today.

DATA COLLECTION

Several independent studies discussed in the Seaport Commission's report -- including one by the John A. Volpe National Transportation Systems Center and another by the RAND organization -- place the losses due to cargo theft near \$10 billion annually. However, we need to improve the collection of data so that law enforcement efforts can be better focused. Statistics currently available are seriously deficient for a variety of reasons. Your legislation would mandate an evaluation of existing governmental databases in an effort to ensure the collection of data on cargo theft occurring in the ports or anywhere else in the intermodal chain of transportation. We understand that the current unified federal crime reporting system suffers from a lack of resources on the state and local levels. The bill requires an outreach program to help channel resources to state and local law enforcement agencies to improve their information systems and harmonize them with the federal system. In addition, we strongly recommend that a requirement be added for officials to report cargo theft as a separate crime so this data may be easily retrieved.

CRIMINAL PENALTIES

We have observed that cargo criminals are not being adequately deterred by the existing penalties. In fact, indications are that those who once specialized in other types of crime are turning to cargo theft because the rewards are lucrative and the threat of prosecution is minimal. We strongly support the provision in your bill which directs the U.S. Sentencing Commission to amend the Federal sentencing guidelines to provide a sentencing enhancement of not less than two levels for a violation of the federal cargo theft law.

SECURITY TRAINING

The legislation addresses an important need by building on the good work already being done at the United States Merchant Marine Academy's Global Maritime and Transportation School (GMATS) at Kings Point, New York. A new Maritime Security Institute to be established at this federal facility will expand the current offerings and enable the training and certification of maritime security professionals in both the law enforcement and private sectors. With a better understanding of the intricacies of the shipping business, law enforcement

officials will be better equipped to do their jobs.

TEAMWORK

The problems addressed by the legislation are multidimensional, and they are best approached through interagency cooperation and the sharing of information and resources. We are pleased that the Port Security Task Force proposed in the bill will have a subcommittee comprised of Federal, State and local government law enforcement agencies. This “Law Enforcement Subcommittee” will have the ability to collaborate with public and private entities. We would like to call your attention to a group of interagency task forces which have already been established in various regions of the country to combat cargo theft. They were organized as a result of a speech made in 1994 by the Attorney General, but they have never had a sufficiently high profile to make an appearance in the federal budget and thus suffer from a lack of resources. Ideally, each of the task forces should be funded and include representatives of the U.S. Attorneys, the FBI, Customs Service, DEA, INS, the Coast Guard, and state and local prosecutors and law enforcement officials. Due to budget constraints, agencies are sometimes unable to participate in the task forces. We would appreciate the opportunity to work with Committee staff to ensure that the most critical cargo theft task forces are able to benefit from your legislation.

Private Sector's Work to Prevent Cargo Crime

Those involved in cargo transportation know they have a responsibility to do as much as they can to address security issues. AIMU recently surveyed its members to determine what advances are being made by the private sector in cargo loss prevention. We would like to share with the Committee the following findings:

- Increased use of video and digital cameras and videotape.
- Trailer satellite GPS/tracking systems including temperature monitoring and door monitoring.
- Electronic seals and locks on trailers and containers.
- Tamper indicating tape for use on cartons and pallets, pallet brands and seals.
- Trailer/chassis anti-theft devices that disarm the ignition or lock the brakes.
- Use of security escorts on high valued loads within the United States and some overseas areas.
- Increased documentation of proven packaging methods, including the elimination of Brand markings and labels from the outside packages.
- Increased use of packing, loading and discharge surveys.
- Closer vetting of all modes of transportation involved in high-valued loads.
- Greater use of independent security experts and surveyors.